

March 25, 2015

Press Release

Sumitomo Metal Mining Co., Ltd.

### **Withdrawal from Sapphire Substrate Business**

Sumitomo Metal Mining Co., Ltd. (SMM) has decided to withdraw from the sapphire substrate business. The facilities of Ohkuchi Electronics, which was involved in the mass production of sapphire substrates, will instead be used to contribute to the planned increase in production of lithium tantalite substrates and lithium niobate substrates (hereinafter referred to as "LT/LN substrates").

Sapphire substrates are used to grow gallium nitride layers used for white and blue LEDs. To meet rapidly increasing demand for sapphire substrates due to the increasing use of LED lighting over recent years, SMM installed production facilities for large sapphire substrates at its wholly owned subsidiary Ohkuchi Electronics Co., Ltd. located in Kagoshima and began production in November 2012.

SMM has made efforts to reduce costs through measures such as undertaking the development of large crystals, but as the business rapidly lost profitability due to a decrease in market prices that exceeded initial expectations and there is no potential for growth, the decision was made to withdraw from the production of sapphire substrates in March 2015. Please note that the impact on SMM's performance will be slight.

Instead of producing sapphire substrates, the buildings, facilities, and workforce of Ohkuchi Electronics are planned to be utilized for the production of LT/LN substrates, for which future growth can be expected. (For more information about SMM's enhancement of LT/LN substrate facilities, please see press release "Increase in Production Capacity for Lithium Tantalate & Lithium Niobate Substrates at Subsidiary Companies" dated March 25, 2015.)

SMM will henceforth continue to concentrate its resources in areas for which strong growth can be expected, and to further enhance its materials business.

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